



LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

December 5, 2005

Case No. 7005-00518
RECEIVED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

DEC 05 2005

PUBLIC SERVICE
COMMISSION

**RE: Adjustments to Demand Side Management Cost Recovery Mechanism
for Louisville Gas and Electric Company – Case No. 2000-00459**

Dear Ms. O'Donnell:

Louisville Gas and Electric Company ("LG&E") files herewith an original and four copies of the following revised sheets of LG&E Tariff PSC of Ky. Gas No. 6:

Third Revision of Original Sheet No. 71.3

This filing reflects revised Demand Side Management Cost Recovery Components as approved by the Commission in its Order of May 11, 2001, in the above-cited case. Four copies of the supporting data for the twelve month period ending December 31, 2005 are also filed herewith.

Sincerely,

Robert M. Conroy
Manager, Rates

Enclosures

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

Applicable to: Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT.

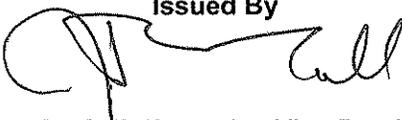
As used herein, the term "commercial" applies to any activity engaged primarily in the sale of goods or services including institutions and local, state and federal governmental agencies for uses other than those involving manufacturing.

As used herein, the term "industrial" applies to any activity engaged primarily in a process or processes which create or change raw or unfinished materials into another form or product.

DSM Cost Recovery Component (DSMRC):

<u>Residential Customers Served Under Residential Rate RGS</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.457 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	0.058 ¢/Ccf
DSM Incentive (DSMI):	0.024 ¢/Ccf
DSM Balance Adjustment (DBA):	(0.020) ¢/Ccf
DSMRC Rate RGS:	0.519 ¢/Ccf
<u>Commercial Customers Served Under Firm Commercial Gas Service Rate CGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT</u>	
DSM Cost Recovery Component (DCR):	0.007 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	0.002 ¢/Ccf
DSM Incentive (DSMI):	0.000 ¢/Ccf
DSM Balance Adjustment (DBA):	(0.060) ¢/Ccf
DSMRC Rate CGS:	(0.051) ¢/Ccf

Date of Issue: December 05, 2005
Canceling Second Revision of
Original Sheet No. 71.3
Issued March 30, 2004

Issued By 

Date Effective: January 4, 2006

**John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky**

LOUISVILLE GAS & ELECTRIC COMPANY

**Supporting Calculations for the
DSM Cost Recovery Mechanism**

GAS SERVICE

**Twelve-Month Period Beginning January 1, 2006
and Ending December 31, 2006**

LOUISVILLE GAS & ELECTRIC COMPANY
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2006

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AG	DSM Revenues From Lost Sales Component (DRLS) Exhibit BG	DSM Incentive Component (DSMI) Exhibit CG	DSM Balance Adjustment Component (DBA) Exhibit DG	DSM Recovery Component (DSMRC) Total
Residential Rate RGS	0.457	0.058	0.024	(0.020)	0.519 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.007	0.002	0.000	(0.060)	(0.051) ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Gas Service RGS	AG-1	\$ 1,049,689	229,783,161 Ccf	0.457 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G6 Rate G7, Rate TS, and Rate FT	AG-2	\$ 8,415	124,298,715 Ccf	0.007 ¢/Ccf
Total DCR Amount		\$ 1,058,104		

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2006

Program costs, which are categorized by residential and commercial, must be allocated first to gas and to electric, and then to the individual rate schedules. The first step, allocation between gas and electric, is shown on page 3.

On page 4, the DSM Program costs are further assigned to the rate schedules, which is the second and final step of the cost allocation process. The program costs for the Residential Rate R, the Residential Gas Service RGS, and the Commercial Customers served under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT were directly assigned to the rate schedules by means of the allocation to gas and to electric on page 3.

The auxiliary Exhibits identified as AG-1 through AG-3 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the gas rate schedules.

DSM Budget Allocation by Rate Class for 2006

Program	Allocation	2006
Total of All Programs		
LGE: R		3,655,333
LGE: RGS		1,049,689
LGE: GS		257,444
LGE: LC		174,186
LGE: LC-TOD		39,544
LGE: LP		-
LGE: LP-TOD		-
LGE: CGS		8,415
KU: RS		4,137,809
KU: FERS		-
KU: GS		305,403
KU: LP		174,186
KU: LCI-TOD		-
KU: HLF		-
Total		9,802,010
Residential Conservation		
LGE: R	37.5%	144,584
LGE: RGS	12.5%	48,195
KU: RS	50.0%	192,778
KU: FERS	0.0%	-
Total		385,556
Residential Load Mgmt.		
LGE: R	50.0%	3,361,753
KU: RS	50.0%	3,361,753
KU: FERS	0.0%	-
Total		6,723,506
Residential Low-Income		
LGE: R	7.0%	115,433
LGE: RGS	60.0%	989,429
KU: RS	33.0%	544,186
KU: FERS	0.0%	-
Total		1,649,049
Commercial Conservation		
LGE: GS	25.0%	208,155
LGE: LC	20.0%	166,524
LGE: LC-TOD	4.0%	33,305
LGE: CGS	1.0%	8,326
KU: GS	30.0%	249,786
KU: LP	20.0%	166,524
KU: LCI-TOD	0.0%	-
Total		832,619
Commercial Load Mgmt.		
LGE: GS	40.0%	46,562
LGE: LC	5.0%	5,820
LGE: LC-TOD	5.0%	5,820
KU: GS	45.0%	52,382
KU: LP	5.0%	5,820
KU: LCI-TOD	0.0%	-
Total		116,404
Industrial Lighting		
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
KU: LP	0.0%	-
KU: HLF	0.0%	-
Total		34,790
Program Develop and Admin.		
LGE: R	35.4%	33,563
LGE: RGS	12.7%	12,066
LGE: GS	2.9%	2,728
LGE: LC	1.9%	1,842
LGE: LC-TOD	0.4%	419
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
LGE: CGS	0.1%	89
KU: RS	41.2%	39,092
KU: FERS	0.0%	-
KU: GS	3.4%	3,236
KU: LP	1.9%	1,842
KU: LCI-TOD	0.0%	-
KU: HLF	0.0%	-
Total	100.0%	94,884

LOUISVILLE GAS & ELECTRIC COMPANY
Allocation of DSM Program Costs to Rates

GAS	
Residential Gas Service RGS	\$ 1,049,689
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	\$ 8,415
TOTAL GAS	\$ 1,058,104

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Residential Gas Service RGS
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Residential Gas Service RGS is \$1,049,689 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate RGS by the January - December, 2006 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Residential Gas Service is 0.457 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate RGS

Forecast
Ccf Sales

JAN 2006	48,236,858
FEB	41,786,338
MAR	31,819,874
APR	21,359,716
MAY	10,464,410
JUN	6,254,356
JUL	4,366,389
AUG	4,256,501
SEP	5,155,691
OCT	6,723,990
NOV	15,871,885
DEC	33,487,155
	<u>229,783,161</u>

Total Program Costs \$ 1,049,689

Revised DCR Factor in ¢ per Ccf 0.457

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Commercial Gas Customers is \$8,415 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Commercial Gas Customers by the January - December, 2006 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Commercial Gas Service is 0.007 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rates CGS, G-6, G-7, TS, and FT

	Forecast <u>Ccf Sales</u>
JAN 2006	24,032,737
FEB	21,272,058
MAR	16,765,313
APR	11,143,146
MAY	5,711,088
JUN	3,883,573
JUL	3,765,109
AUG	3,628,689
SEP	3,671,999
OCT	4,658,351
NOV	8,701,228
DEC	17,065,423
	<u>124,298,715</u>

Total Program Costs	8,415
Revised DCR Factor in ¢ per Ccf	0.007

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2006

<u>Rate Schedule</u>	<u>DRLS</u>
Residential Rate RGS	0.058 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.002 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (Ccf)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RGS	BG-1	\$ 133,002	229,783,161	0.058 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	BG-2	\$ 2,235	124,298,715	0.002 ¢/Ccf
Total DRLS Amount		\$ 135,237		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RGS
12-Month Period Beginning January 1, 2006

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2006 under the energy charges contained in the Rate Schedule RGS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Rate RGS by the January - December, 2006 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Residential Rate RGS is .058 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenues for Rate RGS
12-Month Period Beginning January 1, 2006

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Residential Conservation	186,117	\$ 0.15470	\$28,792
Residential Low-Income	673,625	\$ 0.15470	\$104,210
 	<hr/>		<hr/>
TOTAL PROGRAMS	859,742		\$133,002

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate RGS
12-Month Period Beginning January 1, 2006

Forecast
Ccf Sales

JAN 2006	48,236,858
FEB	41,786,338
MAR	31,819,874
APR	21,359,716
MAY	10,464,410
JUN	6,254,356
JUL	4,366,389
AUG	4,256,501
SEP	5,155,691
OCT	6,723,990
NOV	15,871,885
DEC	33,487,155
	<u>229,783,161</u>

Total Lost Net Revenue \$ 133,002

Revised DRLS Factor in ¢ per Ccf 0.058

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2006 under the energy charges contained in the Commercial Rate Schedules, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Commercial gas customers by the January - December, 2006 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Commercial customers served under rate CGS, G-6, G-7, Rate TS, and Rate FT is 0.002¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Conservation Program	14,930	\$ 0.14968	\$2,235
TOTAL PROGRAMS	14,930		\$2,235

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component for Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

Forecast
Ccf Sales

JAN 2006	24,032,737
FEB	21,272,058
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AUG	3,628,689
SEP	3,671,999
OCT	4,658,351
NOV	8,701,228
DEC	17,065,423
	<u>124,298,715</u>

Total Lost Net Revenue \$ 2,235

Revised DRLS Factor in ¢ per Ccf 0.002

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RGS	CG-1	\$ 55,842	229,783,161 Ccf	0.024 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	CG-2	\$ -	124,298,715 Ccf	0.000 ¢/Ccf
Total DSMI Amount		\$ 55,842		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RGS
12-Month Period Beginning January 1, 2006

This filing proposes to compute a DSMI factor based on two of the residential programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The two programs are "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate RGS by the January - December, 2006 forecasted Ccf sales as shown on page 3. The resulting DSMI factor for Residential Rate RGS is 0.024 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Rate RGS Incentives

	<u>Net Present Value</u>			<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Residential Conservation	\$ 229,390	\$ 86,934	\$ 142,456	\$ 21,368	\$ 21,368
Residential Low-Income	\$ 880,100	\$ 650,274	\$ 229,826	\$ 34,474	\$ 34,474
 Total Programs Incentive					\$ 55,842

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate RGS

Forecast
Ccf Sales

JAN 2006	48,236,858
FEB	41,786,338
MAR	31,819,874
APR	21,359,716
MAY	10,464,410
JUN	6,254,356
JUL	4,366,389
AUG	4,256,501
SEP	5,155,691
OCT	6,723,990
NOV	15,871,885
DEC	33,487,155
	<u>229,783,161</u>

Total Incentive \$ 55,842

DSMI Factor in ¢ per Ccf 0.024

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

This filing proposes to compute a DSMI factor based on the commercial program. The commercial program is considered to be "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs), as shown on page 2.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rates CGS, G-6, G-7, TS and FT by the January - December, 2006 forecasted Ccf sales as shown on page 3. The resulting DSMI factor is 0.000 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Incentives under
Rates CGS, G-6, G-7, TS and FT

	Net Present Value			15% of Benefits	Incentive
	<u>Avoided Costs</u>	<u>LG&E Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Commercial Conservation	\$ 29,416	\$ 37,664	\$ -	\$ -	\$ -
Total all Programs Incentive					\$ -

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate CGS

Forecast
Ccf Sales

JAN 2006	24,032,737
FEB	21,272,058
MAR	16,765,313
APR	11,143,146
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JUL	3,765,109
AUG	3,628,689
SEP	3,671,999
OCT	4,658,351
NOV	8,701,228
DEC	17,065,423
	<u>124,298,715</u>

Total Incentive \$ -

DSMI Factor in ¢ per Ccf 0.000

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2006

Not currently applicable.



LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

December 5, 2005

Case No. 2005-00518

RECEIVED

DEC 05 2005

PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

**RE: Adjustments to Demand Side Management Cost Recovery Mechanism
for Louisville Gas and Electric Company – Case No. 2000-459**

Dear Ms. O'Donnell:

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Third Revision of Original Sheet No. 71.4
Third Revision of Original Sheet No. 71.5

This filing reflects revised Demand Side Management Cost Recovery Components as approved by the Commission in its Order of May 11, 2001, in the above-cited case. Four copies of the supporting data for the twelve month period ending December 31, 2005 are also filed herewith.

Sincerely,

Robert M. Conroy
Manager, Rates

Enclosures

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Rate RS, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, Small Time-of-Day Rate STOD, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

Residential Rate RS, Volunteer Fire Dept. Rate VFD, and Residential Prepaid Metering Rate RPM Energy Charge

DSM Cost Recovery Component (DCR) 0.089 ¢/KWH

DSM Revenues from Lost Sales (DRLS) 0.005 ¢/KWH

DSM Incentive (DSMI) 0.004 ¢/KWH

DSM Balance Adjustment (DBA) (0.021)¢/KWH

DSMRC Rates RS, VFD and RPM 0.077 ¢/KWH

R

R

General Service Rate GS and Small Time-of-Day Rate STOD Energy Charge

DSM Cost Recovery Component (DCR) 0.018 ¢/KWH

DSM Revenues from Lost Sales (DRLS) 0.008 ¢/KWH

DSM Incentive (DSMI) 0.000 ¢/KWH

DSM Balance Adjustment (DBA) (0.008)¢/KWH

DSMRC Rates GS and STOD 0.018 ¢/KWH

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Issued March 30, 2005

Issued By

Date Effective: January 4, 2006



John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

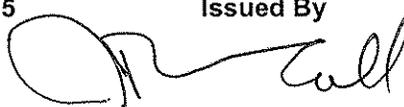
<u>Large Commercial Rate LC</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)	0.008 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.006 ¢/KWH
DSM Incentive (DSMI)	0.000 ¢/KWH
DSM Balance Adjustment (DBA)	(0.004)¢/KWH
 DSMRC Rates LC	 0.010 ¢/KWH

<u>Large Commercial Time-of-Day Rate LC-TOD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)	0.005 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.006 ¢/KWH
DSM Incentive (DSMI)	0.000 ¢/KWH
DSM Balance Adjustment (DBA)	(0.004)¢/KWH
 DSMRC Rates LC	 0.007 ¢/KWH

Date of Issue: December 05, 2005
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John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

LOUISVILLE GAS & ELECTRIC COMPANY

**Supporting Calculations for the
DSM Cost Recovery Mechanism**

ELECTRIC SERVICE

**Twelve-Month Period Beginning January 1, 2006
and Ending December 31, 2006**

Summary

LOUISVILLE GAS & ELECTRIC COMPANY
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2006

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AE	DSM Revenues From Lost Sales Component (DRLS) Exhibit BE	DSM Incentive Component (DSMI) Exhibit CE	DSM Balance Adjustment Component (DBA) Exhibit DE	DSM Recovery Component (DSMRC) Total
Residential Rate RS	0.089	0.005	0.004	(0.021)	0.077 ¢/kWh
General Service Rate GS	0.018	0.008	0.000	(0.008)	0.018 ¢/kWh
Large Commercial Rate LC	0.008	0.006	0.000	(0.004)	0.010 ¢/kWh
Large Commercial Rate LC-TOD	0.005	0.006	0.000	(0.004)	0.007 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Rate RS	AE-1	\$ 3,655,333	4,122,501,443 kWh	0.089 ¢/kWh
General Service Rate GS	AE-2	\$ 257,444	1,444,878,343 kWh	0.018 ¢/kWh
Large Commercial Rate LC	AE-3	\$ 174,186	2,240,522,830 kWh	0.008 ¢/kWh
Large Commercial Rate LC-TOD	AE-4	\$ 39,544	740,211,780 kWh	0.005 ¢/kWh
Total DCR Amount		\$ 4,126,507		

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2006

Program costs, which are categorized by residential, commercial, and industrial must be allocated to the individual rate schedules. The first step, allocation between gas and electric, and between LG&E and KU, is shown on page 3.

On page 4, the DSM Program costs are further assigned to the rate schedules, which is the second and final step of the cost allocation process. This allocation consists of splitting the commercial electric costs to the General Service Rate GS, the Large Commercial Rate LC, and the Large Commercial Time-of-Day Rate LC-TOD. The program costs for the Residential Rate RS, the Residential Gas Service RGS, and the Commercial Customers served under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT were directly assigned to the rate schedules by means of the allocation to gas and to electric on page 3.

The auxiliary Exhibits identified as AE-1 through AE-5 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the electric rate schedules.

DSM

Exhibit AE

Page 3 of 4

Program	Allocation	2006
Total of All Programs		
LGE: RS		3,655,333
LGE: RGS		1,049,689
LGE: GS		257,444
LGE: LC		174,186
LGE: LC-TOD		39,544
LGE: LP		-
LGE: LP-TOD		-
LGE: CGS		8,415
KU: RS		4,137,809
KU: FERS		-
KU: GS		305,403
KU: LP		174,186
KU: LCI-TOD		-
KU: HLF		-
Total		9,802,010
Residential Conservation		
LGE: RS	37.5%	144,584
LGE: RGS	12.5%	48,185
KU: RS	50.0%	192,778
KU: FERS	0.0%	-
Total		385,556
Residential Load Mgmt.		
LGE: RS	50.0%	3,361,753
KU: RS	50.0%	3,361,753
KU: FERS	0.0%	-
Total		6,723,506
Residential Low-Income		
LGE: RS	7.0%	115,433
LGE: RGS	60.0%	989,429
KU: RS	33.0%	544,186
KU: FERS	0.0%	-
Total		1,649,049
Commercial Conservation		
LGE: GS	25.0%	208,155
LGE: LC	20.0%	166,524
LGE: LC-TOD	4.0%	33,305
LGE: CGS	1.0%	8,326
KU: GS	30.0%	249,786
KU: LP	20.0%	166,524
KU: LCI-TOD	0.0%	-
Total		832,619
Commercial Load Mgmt.		
LGE: GS	40.0%	46,562
LGE: LC	5.0%	5,820
LGE: LC-TOD	5.0%	5,820
KU: GS	45.0%	52,382
KU: LP	5.0%	5,820
KU: LCI-TOD	0.0%	-
Total		116,404
Industrial Lighting		
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
KU: LP	0.0%	-
KU: HLF	0.0%	-
Total		34,790
Program Develop and Admin.		
LGE: RS	35.4%	33,563
LGE: RGS	12.7%	12,066
LGE: GS	2.9%	2,728
LGE: LC	1.9%	1,842
LGE: LC-TOD	0.4%	419
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
LGE: CGS	0.1%	89
KU: RS	41.2%	39,092
KU: FERS	0.0%	-
KU: GS	3.4%	3,236
KU: LP	1.9%	1,842
KU: LCI-TOD	0.0%	-
KU: HLF	0.0%	-
Total	100.0%	94,877

LOUISVILLE GAS & ELECTRIC COMPANY
Allocation of DSM Program Costs to Rates

<u>ELECTRIC</u>	
Residential Rate RS	\$ 3,655,333
General Service Rate GS	\$ 257,444
Large Commercial Rate LC	\$ 174,186
Large Commercial Rate LC-TOD	\$ 39,544
Industrial Power Rate LP	\$ -
TOTAL ELECTRIC	\$ 4,126,507

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Residential Rate RS is \$3,655,333 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Residential Rate RS is 0.089 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate RS

Forecast
kWh Sales

JAN 2006	393,460,869
FEB	325,599,713
MAR	290,906,111
APR	253,915,103
MAY	269,554,462
JUN	372,566,131
JUL	485,425,090
AUG	471,626,810
SEP	417,934,053
OCT	279,291,334
NOV	251,055,444
DEC	311,166,322
	<u>4,122,501,443</u>

Total Program Costs \$ 3,655,333
DCR Factor in ¢ per kWh 0.089

84817VILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for General Service Rate GS is \$257,444 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing total 2006 program cost for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate GS is 0.018 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate GS

Forecast
kWh Sales

JAN 2006	119,441,760
FEB	113,615,811
MAR	110,056,265
APR	102,942,628
MAY	107,897,866
JUN	129,617,795
JUL	147,111,468
AUG	144,407,928
SEP	139,709,519
OCT	113,002,837
NOV	104,254,036
DEC	112,820,431
	<u>1,444,878,343</u>

Total Program Costs \$ 257,444

DCR Factor in ¢ per kWh 0.018

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Large Commercial Rate LC is \$174,186 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate LC by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LC is 0.008 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate LC

Forecast
kWh Sales

JAN 2006	180,146,737
FEB	175,286,739
MAR	169,456,456
APR	164,989,600
MAY	172,351,323
JUN	202,191,243
JUL	222,464,714
AUG	220,153,996
SEP	213,268,984
OCT	180,474,931
NOV	167,288,151
DEC	172,449,956
	<u>2,240,522,830</u>

Total Program Costs \$ 174,186

DCR Factor in ¢ per kWh 0.008

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Large Commercial Time-of-Day Rate LC-TOD is \$39,544 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate LC-TOD by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LC-TOD is 0.005 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate LC-TOD

Forecast
kWh Sales

JAN 2006	58,213,562
FEB	57,365,484
MAR	56,743,420
APR	54,661,933
MAY	57,272,306
JUN	64,531,050
JUL	73,056,703
AUG	70,768,495
SEP	69,629,261
OCT	61,054,481
NOV	57,468,512
DEC	59,446,574
	<u>740,211,780</u>

Total Program Costs	\$	39,544
DCR Factor in ¢ per kWh		0.005

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2006

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery (DCR)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2006

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2006

<u>Rate Schedule</u>	<u>DRLS</u>
Residential Rate RS	0.005 ¢/kWh
General Service Rate GS	0.008 ¢/kWh
Large Commercial Rate LC	0.006 ¢/kWh
Large Commercial Rate LC-TOD	0.006 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (kWh)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RS	BE-1	\$ 187,250	4,122,501,443	0.005 ¢/kWh
General Service Rate GS	BE-2	\$ 120,444	1,444,878,343	0.008 ¢/kWh
Large Commercial Rate LC	BE-3	\$ 125,409	2,240,522,830	0.006 ¢/kWh
Large Commercial Rate LC-TOD	BE-4	\$ 41,803	740,211,780	0.006 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

This filing proposes to compute Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2006 under the energy charges contained in the Rate Schedule RS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate RS is 0.005 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate RS

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Residential Conservation	1,461,733	\$0.051	\$74,800
Residential Low-Income	2,197,469	\$0.051	\$112,450
Load Management	<u>-</u>	\$0.051	<u>\$0</u>
TOTAL PROGRAMS	3,659,202		\$187,250

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate RS

Forecast
kWh Sales

JAN 2006	393,460,869
FEB	325,599,713
MAR	290,906,111
APR	253,915,103
MAY	269,554,462
JUN	372,566,131
JUL	485,425,090
AUG	471,626,810
SEP	417,934,053
OCT	279,291,334
NOV	251,055,444
DEC	311,166,322
	<u>4,122,501,443</u>

Total Lost Net Revenue \$ 187,250

Revised DRLS Factor in ¢ per kWh 0.005

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

This filing proposes to implement a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2006 under the energy charges contained in the General Service Rate Schedule, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate GS is 0.008 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate GS

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Commercial Conservation	2,093,126	\$0.058	\$120,444
Load Management	-	\$0.058	\$0
	<hr/>		<hr/>
TOTAL PROGRAMS	2,093,126		\$120,444

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate GS

Forecast
kWh Sales

JAN 2006	119,441,760
FEB	113,615,811
MAR	110,056,265
APR	102,942,628
MAY	107,897,866
JUN	129,617,795
JUL	147,111,468
AUG	144,407,928
SEP	139,709,519
OCT	113,002,837
NOV	104,254,036
DEC	112,820,431
	<u>1,444,878,343</u>

Total Lost Net Revenue \$ 120,444

Revised DRLS Factor in ¢ per kWh 0.008

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2006

This filing proposes to implement a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh (represented by the composite of the expected billings under the respective demand and energy charges) of expected billings in 2006 under the energy charges contained in the Commercial Rate Schedule, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by the total applicable lost net revenue for Rate LC by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LC is 0.006 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate LC

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Commercial Conservation	3,139,690	\$0.040	\$125,409
Load Management	-	\$0.040	\$0
	<hr/>		<hr/>
TOTAL PROGRAMS	3,139,690		\$125,409

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate LC

Forecast
kWh Sales

JAN 2006	180,146,737
FEB	175,286,739
MAR	169,456,456
APR	164,989,600
MAY	172,351,323
JUN	202,191,243
JUL	222,464,714
AUG	220,153,996
SEP	213,268,984
OCT	180,474,931
NOV	167,288,151
DEC	172,449,956
	<u>2,240,522,830</u>

Total Lost Net Revenue \$ 125,409

Revised DRLS Factor in ¢ per kWh 0.006

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2006

This filing proposes to implement a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh (represented by the composite of the expected billings under the respective demand and energy charges) of expected billings in 2006 under the energy charges contained in the Commercial Time-of-Day Rate Schedule, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing total applicable lost net revenue for Rate LC-TOD by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LC-TOD is 0.006 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue For Rate LC-TOD

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Commercial Conservation	1,046,563	\$0.040	\$41,803
Load Management	-	\$0.040	\$0
	<hr/>		<hr/>
TOTAL PROGRAMS	1,046,563		\$41,803

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate LC-TOD

Forecast
kWh Sales

JAN	2006	58,213,562
FEB		57,365,484
MAR		56,743,420
APR		54,661,933
MAY		57,272,306
JUN		64,531,050
JUL		73,056,703
AUG		70,768,495
SEP		69,629,261
OCT		61,054,481
NOV		57,468,512
DEC		59,446,574
		<u>740,211,780</u>

Total Lost Net Revenue \$ 41,803

Revised DRLS Factor in ¢ per kWh 0.006

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2006

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Revenues from Lost Sales (DRLS)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2006

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RS	CE-1	\$ 168,088	4,122,501,443 kWh	0.004 ¢/kWh
General Service Rate GS	CE-2	\$ 2,328	1,444,878,343 kWh	0.000 ¢/kWh
Large Commercial Rate LC	CE-3	\$ 291	2,240,522,830 kWh	0.000 ¢/kWh
Large Commercial Rate LC-TOD	CE-4	\$ 291	740,211,780 kWh	0.000 ¢/kWh
Total DSMI Amount		\$ 170,998		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

This filing proposes to compute a DSMI factor based on all three of the residential programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The two programs excluding Load Control are "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Residential Rate RS is 0.004 ¢ per Kwh .

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Rate RS Incentives

	Net Present Value			15% of Benefits	Incentive
	Avoided Costs	Program Costs	Benefits		
<u>Energy Impact Programs</u>					
Residential Low-Income	\$37,975	\$75,865	0 \$	-	\$ -
Residential Conservation	\$120,926	\$260,801	0 \$	-	\$ -
Load Management ¹		\$ 3,361,750	\$	168,088	\$ 168,088

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Total Energy Impact Programs Incentive \$ 168,088

Total Programs Incentive \$ 168,088

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate RS

Forecast
kWh Sales

JAN	2006	393,460,869
FEB		325,599,713
MAR		290,906,111
APR		253,915,103
MAY		269,554,462
JUN		372,566,131
JUL		485,425,090
AUG		471,626,810
SEP		417,934,053
OCT		279,291,334
NOV		251,055,444
DEC		311,166,322
		4,122,501,443

Total Incentive \$ 166,088

Revised DSMI Factor in ¢ per kWh 0.004

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

The proposed DSM Incentive Component (DSMI) factor for Commercial Rate GS is 0.000 ¢ per Kwh. The factor is based on an allocation of LG&E's incentive between the electric and gas functions. Although \$2,245 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for General Service Rate GS is 0.000 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Rate GS Incentives

	Net Present Value			15% of Benefits	Incentive
	Avoided Costs	Program Costs	Benefits		
<u>Energy Impact Programs</u>					
Commercial Conservation	\$ 136,047	\$ 174,196	0 \$	-	\$ -
Load Management ¹		\$ 46,560	\$	2,328	\$ 2,328
Total Programs Incentive					\$ 2,328

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate GS

Forecast
kWh Sales

JAN	2006	119,441,760
FEB		113,615,811
MAR		110,056,265
APR		102,942,628
MAY		107,897,866
JUN		129,617,795
JUL		147,111,468
AUG		144,407,928
SEP		139,709,519
OCT		113,002,837
NOV		104,254,036
DEC		112,820,431
		1,444,878,343

Total Incentive \$ 2,328

Revised DSMI Factor in ¢ per kWh 0.000

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2006

The proposed DSM Incentive Component (DSMI) factor for Large Commercial Rate LC is 0.000 ¢ per Kwh. The factor is based on an allocation of LG&E's incentive between the electric and gas functions. Although \$281 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate LC by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Large Commercial Rate LC is 0.000 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Rate LC Incentives

	<u>Net Present Value</u>			<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Commercial Conservation	\$ 220,617	\$ 282,480	0 \$	- \$	-
Load Management ¹		\$ 5,820	\$	291 \$	291
Total Programs Incentive					\$ 291

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate LC

Forecast
kWh Sales

JAN	2006	180,146,737
FEB		175,286,739
MAR		169,456,456
APR		164,989,600
MAY		172,351,323
JUN		202,191,243
JUL		222,464,714
AUG		220,153,996
SEP		213,268,984
OCT		180,474,931
NOV		167,288,151
DEC		172,449,956
		2,240,522,830

Total Incentive \$ 291

Revised DSMI Factor in ¢ per kWh 0.000

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2006

The proposed DSM Incentive Component (DSMI) factor for Large Commercial TOD Rate LC-TOD is 0.000 ¢ per Kwh. The factor is based on an allocation of LG&E's incentive between the electric and gas functions. Although \$281 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing 2006 incentive amount for Rate LC-TOD by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Large Commercial Time-of-Day Rate LC-TOD is 0.000 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Rate LC-TOD Incentives

	<u>Net Present Value</u>			<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Commercial Conservation	\$ 55,154	\$ 70,620	0 \$	-	\$ -
Load Management ¹		\$ 5,820	\$	291	\$ 291
Total Programs Incentive					\$ 291

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate LC-TOD

Forecast
kWh Sales

JAN	2006	58,213,562
FEB		57,365,484
MAR		56,743,420
APR		54,661,933
MAY		57,272,306
JUN		64,531,050
JUL		73,056,703
AUG		70,768,495
SEP		69,629,261
OCT		61,054,481
NOV		57,468,512
DEC		59,446,574
		740,211,780

Total Incentive \$ 291

Revised DSMI Factor in ¢ per kWh 0.000

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2006

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2006

Not applicable at this time.